

TRIP REPORT

**BUDGET TRAINING AND
TECHNICAL ASSISTANCE
TO THE REGIA FOR PUBLIC SERVICES
IN FOCȘANI, ROMANIA**

September 28–October 4, 1995

Prepared for

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By

Winston C. Evans
ICMA Consultant

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
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- C. 1996 Supplemental Budget Book Outline (Revised)
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ABSTRACT

ICMA consultant Winston C. Evans visited Focșani, Romania, between September 28 and October 4, 1995, to provide follow-up training and technical assistance to the Focșani Regia for Public Services to improve the process, structure and presentation of the Regia's 1996 annual budget. Specifically, the consultant assisted with the "bottom-up" budget planning process by reviewing work in progress and by assisting senior department managers in preparing their annual budget. The Chief Financial Officer, senior department managers and key finance staff have begun implementing a new budget process as recommended by the consultant in August 1995. Because this is a new process, the Regia staff require continued technical assistance to complete the work and establish a model for future years.

Trip Report: Budget Training and Technical Assistance to the Regia for Public Services, Focșani, Romania, September 28–October 4, 1995

1 INTRODUCTION

1.1 Objective

ICMA consultant Winston C. Evans visited the Regia for Public Services in Focșani, Romania between September 28 and October 4, 1995. The objective of the trip was to provide follow-up training and technical assistance to the Regia to improve the process, structure and presentation of the 1996 annual budget. Specifically, the consultant assisted with the “bottom-up” budget planning process by reviewing work in progress and by assisting senior department managers in preparing their annual budget.

1.2 Background

In March 1995, ICMA consultant Philip Giantris visited Focșani to assist the Regia Director in consolidating the multiple regii into a single entity to comply with a State mandate. In his report, the consultant recommended that the Regia reorganize and define its mission as a self-sustaining utility. An important aspect of implementing this reorganization was to manage the change through budget planning. The consultant recommended that the Regia make every effort to create as much involvement as possible in all aspects of the change process to minimize its potential negative effects. Furthermore, he recommended that the annual budget process be the vehicle to build that involvement and to help redefine the roles and responsibilities of the various managers. The key to using the budgeting process as a change agent is that the budget under the new approach will be built from the bottom up, with each responsible manager providing comprehensive input for his/her area of responsibility. This differs greatly from the top-down, authoritarian budget process that has been traditional in Romania, in which a line manager was told how much money he/she had and therefore never really took ownership for staying within that budget.

In Romania, regii provide many of the public services that traditionally are the direct responsibility of cities in the United States. In Focșani, these services include water, sewer, public transportation, district heating, and garbage collection. Since the municipality contracts for these services with the Regia and provides a significant portion of the local municipal budget to the Regia in the form of transfers, subsidies, and local construction funds, improving the Regia’s budget process can have a beneficial effect upon the municipality and its citizens.

1.3 Initial Work Plan

The initial work plan developed by Mr. Giantris anticipated three visits to Focșani:

Early to Mid-August	Conduct initial training of key managers for the annual budget preparation process
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Early October	Kick off budget preparation process for 1996 Work with each senior department manager on budget preparation
Early December	Assist in the review of the final budget for 1996 and advise on resolving conflicts

Mr. Evans's visit to Focșani in August 1995 addressed the initial training phase. This trip addresses budget preparation processes needed for the 1996 budget.

2 FINDINGS AND RECOMMENDATIONS

2.1 Status of Prior Recommendations

The consultant reviewed the status of recommendations included in the August 1995 report and found that all the items were accepted and in varying stages of completion. The consultant's prior recommendations and their status follow:

- The Regia should adopt a budget calendar that involves the senior department managers in preparing the budget and still allows sufficient time to meet the state mandated deadlines. The schedule should envision completing the budget before the start of the fiscal year. **Status:** Accepted and being followed.
- The Chief Financial Officer (CFO) should take the responsibility to prepare detailed budget instructions to guide the senior department managers in preparing their budget requests. **Status:** Accepted and completed.
- The Regia should prepare a supplemental budget book that includes a message from the Regia Director discussing current budget trends and issues and a detailed operating and investment budget. The supplemental budget booklet should include narratives describing the Regia's mission, program descriptions, objectives, workload measures, as well as, financial data for the two prior years, current year and next year's proposed budget. The book should be submitted to the local government with the State mandated budget. **Status:** Accepted and in progress.
- The financial staff should assume new roles in analyzing the department budget requests and participating in budget review sessions. **Status:** Accepted and in progress.
- The department managers should be given an opportunity to present and justify their budget requests to the CFO and Regia Director and recommend changes in service levels. **Status:** Accepted.
- The CFO and Regia Director should make the final decisions based on department budget requests. **Status:** Accepted.
- The CFO should prepare the final budget submission. **Status:** Accepted.

2.2 Training and Technical Assistance

During the first day in Focșani, the consultant reviewed two department draft budget requests and responded to the managers' questions. After the review, the consultant realized that the CFO needed standardized detail and summary revenue and expenditure forms for the department's budget requests. These would ensure that the information gathered and submitted to the CFO would be uniform across departments and submitted in a consistent format. This consistency would also assist the CFO in analyzing budget requests and in consolidating approved requests into the final Regia budget. The consultant therefore assisted department managers and the CFO to prepare the forms and organize the content of the department budget requests. The consultant:

- Developed a list of budget forms showing the sequence in which they should be completed and submitted, and the number of forms required (see Attachment A).
- Created and printed specific budget request forms for departments to use in their budget submission to the CFO. The forms are (see Attachment A for samples):
 - 1996 Department Summary
 - 1996 Activity Summary
 - Expenditure Detail by Activity
 - Expenditure Detail by Activity by Trimester
 - Revenue by Source
 - Revenue Detail
 - Revenue Detail by Trimester
 - Budget Adjustment Request Proposal
- Listed the Regia's departments and activities that would need to prepare a detailed budget request (see Attachment B).
- Revised the supplemental budget booklet outline for the Regia's use in preparing the 1996 budget (see Attachment C).
- Prepared sample pages of the Thermal Department's budget submission to test the new forms.
- Provided a detailed work plan to guide the Regia in preparing the supplemental budget booklet over the next few months (see Attachment D).

The training and technical assistance provided at this milestone in the budget process was critical in the Regia's progression to the next step with consistently prepared budget requests. This improvement in consistency, if continued, will do much to organize and standardize the information submitted in department budget requests for this and future years. The consultant left copies of the budget forms with the CFO and Regia Director and subsequently had them translated into Romanian for the Regia's use.

2.3 Recommendations to the Regia Staff

The consultant recommended that the Regia focus on completing the budget improvement project already underway and the detailed work plan in Attachment D as scheduled. The Regia should estimate revenue based on revenue **to be collected** rather than **billed** revenue for revenue sources in 1996. Also, they should estimate and record prior year collections in a separate revenue

account. With collection percentages in the 80 percent range for many revenues, using total billings without applying a historic collection percentage will result in budget shortfalls every year.

3 FOLLOW-UP ASSISTANCE

3.1 Opportunities

The mandated consolidation of the Regia in Focșani and the availability of technical assistance to carry out the restructuring have created a favorable environment for change. The Regia Director and CFO support the Regia's consolidation, organizational restructuring, and the "bottom-up" budget planning process that were proposed as part of the restructuring. Significant progress was made during this visit to assist the CFO and department managers in establishing the budget framework to prepare departmental budgets. To ensure that the Regia has minimal problems in implementing the new budget process, follow-up technical assistance visits are necessary at critical milestones in the schedule.

The changes made to the Regia budget process, structure, and presentation are unique in Romania. This approach to budgeting will, if successful, produce a budget booklet that will improve local decision-making and operations planning and serve as an important communication tool for the Local Council and public. The Focșani Regia's new budget process may also serve as a model for other regii to follow when undergoing a State-mandated reorganization process.

3.2 Future Work Plan

The budget calendar established the dates by which certain actions need to be taken over the next six months to produce a budget by mid-November. To support that plan, the Chief Financial Officer requested that the consultant return to Focșani to continue the training and technical assistance needed to implement an improved budget process, structure, and presentation of the Regia's 1996 budget. The proposed actions to be taken are:

Early January	Assist in review and production of the 1996 supplemental budget booklet
	Advise on resolving conflicts

ATTACHMENT A

Focşani Regia for Public Services Sequence of Department Budget Request Forms October 3, 1995

INTRODUCTION

DEPARTMENT TRANSMITTAL MEMORANDUM

DEPARTMENT ORGANIZATION CHART

BUDGET REQUEST FORMS

DEPARTMENT SUMMARY

ACTIVITY SUMMARY-1 form per activity

EXPENDITURE DETAIL -1 form per activity

EXPENDITURE DETAIL BY TRIMESTER

REVENUE BY SOURCE-1 form per revenue

REVENUE DETAIL

REVENUE DETAIL BY TRIMESTER

BUDGET ADJUSTMENT REQUEST PROPOSAL- 1 form for each operating or investment proposal

1996 DEPARTMENT SUMMARY

DEPARTMENT NAME:

ACCOUNT CODE:

MISSION STATEMENT:

DESCRIPTION: (Enter a summary of the department's activities and programs)

GOALS: (Identify the department's long-term attainable targets/vision of the future)

- 1.
- 2.
- 3.

RESOURCE SUMMARY	1993	1994	1995	1996
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REVENUES

EXPENDITURES

ENDING BALANCE

PERSONNEL STAFFING

1996 ACTIVITY SUMMARY

ACTIVITY:

DEPARTMENT:

ACCOUNT CODE:

 DESCRIPTION: (Enter a concise description of the activity; what does the activity do)

 OBJECTIVES: (Enter specific, measurable results of the activity's actions that advance the department toward its goals)

1.

2.

3.

4.

PERFORMANCE MEASURES	ACTUAL 1993	ACTUAL 1994	ESTIMAT'D 1995	PROPOS'D 1996
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 (Show accomplishments both
quantitatively and qualitatively.)

 RESOURCE SUMMARY

EXPENDITURES

PERSONNEL-FULL TIME

EXPENDITURE DETAIL BY ACTIVITY

ACTIVITY:

DEPARTMENT:

ACCOUNT CODE:

EXPENDITURES	OBJECT CODE	ACTUAL 1993	ACTUAL 1994	ESTIMATED 1995	PROPOSED 1996
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PERSONNEL SERVICES: Include expenditures related to the costs of salaries and wages (full and part time) and fringe benefits (including insurance, social security, and retirement contributions)

TOTAL PERSONNEL

OPERATING EXPENSES: Includes expenditures for goods and services that primarily benefit the current period and are not defined as personnel services or investments.

TOTAL OPERATING EXPENSES

GRAND TOTAL

EXPENDITURE DETAIL BY ACTIVITY BY TRIMESTER
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ACTIVITY:

DEPARTMENT:

ACCOUNT CODE:

EXPENDITURES	CODE	PROPOSED	TRIM I	TRIM II	TRIM III	TRIM IV
		1996				

PERSONNEL SERVICES: Include expenditures related to the costs of salaries and wages (full and part time) and fringe benefits (including insurance, social security, and retirement contributions) distributed by trimester

TOTAL PERSONNEL

OPERATING EXPENSES: Includes expenditures for goods and services that primarily benefit the current period and are not defined as personnel services or investments distributed by trimester

TOTAL OPERATING EXPENSES

GRAND TOTAL

REVENUE BY SOURCE

DEPARTMENT:

ACTIVITY:

REVENUE TITLE:

REVENUE SOURCE CODE:

	ACTUAL	ACTUAL	BUDGET	ESTIMATED	ESTIMATED
	1993	1994	1995	1995	1996
TOTAL REVENUE					

REVENUE METHODOLOGY: Explain how the estimated revenue number was calculated, identifying unit charges or tariffs multiplied by expected units of production and adjusted by other factors to arrive at the final revenue estimate.

REVENUE DESCRIPTION: Provide general information about the revenue source, such as legal authority for collecting the revenue (state law, local ordinance, etc.), last tariff or fee change date

REVENUE EXPLANATION: Identify major variances between prior years' and next year's estimated revenues.

REVENUE DETAIL

DEPARTMENT:

REVENUE	CODE	ACTUAL 1993	ACTUAL 1994	ESTIMAT'D 1995	PROPOS'D 1996
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TOTALS

REVENUE DETAIL BY TRIMESTER

DEPARTMENT:

ACCOUNT CODE:

REVENUE	CODE	PROPOSED 1996	TRIM I	TRIM II	TRIM III	TRIM IV
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TOTALS

1996 BUDGET ADJUSTMENT REQUEST PROPOSAL-NO:
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ACTIVITY:

DEPARTMENT:

PROPOSAL NAME:

SUBMITTED BY:

NEED: (Demonstrate the need for the proposal to be adopted)

DESCRIPTION: (Explain how the activity would function when implemented)

FIRST YEAR COST: (Estimate the first year cost of adopting the proposal)

Personnel Services:

Operating Expenses:

Capital Expenses:

Total:

FUTURE YEAR COST: (Estimate the annual cost for years 2 through 5 should the proposal be adopted)

FY 2:

FY 3:

FY 4:

FY 5:

MEASURE OF SUCCESS: (Identify the best quantitative measure of activity success or failure)

REQUIRED CHANGES: (List changes that would be required at your activity to implement the proposed change)

SOURCE OF FUNDS: (Identify how this change would be funded or what other activities would be reduced)

ATTACHMENT B

Focşani Regia for Public Services 1996 Departments and Activities by Function October 3, 1995

LEADERSHIP

Regia Board of Control (Directors)

Executive Leadership (Director; Deputy Director, Technical; and Chief Financial Officer)

ADMINISTRATIVE SUPPORT

Investments

Technical and Production

Supply

Construction and Sale of Housing Units

Public Information

Medical

Legal Counsel

Inspector

Personnel

Finance

Accounting

Customer Information and Billing

Computer Services

Building Maintenance and Security

PRODUCTION DEPARTMENTS

WATER AND WASTEWATER SERVICES

Capturing and Storing Raw Water

Operating Water Purification Plant

Maintaining Water Distribution System

Maintaining Wastewater Sewer Collection System

Operating Wastewater Treatment Plant

Administration

SOLID WASTE SERVICES

Maintaining the Sewer Collection System

Street Sweeping

Collecting and Transporting Solid Waste
Administration

THERMAL SERVICES

Contracting for Services
Operating and Maintaining District Heating Plants
Dispatching Calls for Service
Administration

PUBLIC TRANSPORTATION SERVICES

Transportation Operations
Maintenance Services
Administration

EQUIPMENT AND VEHICLE SERVICES

Maintenance and Repair Services
Administration

NON CONFORMING BUSINESSES

ATTACHMENT C

1996 Supplemental Budget Book Outline Focșani Regia for Public Services October 3, 1995

- I. Cover Page
- II. Table of Contents
- III. Budget Message from Regia Director
- IV. Organization Chart of Regia
- V. Financial Charts and Graphs
- VI. Community Profile
 - A. Background-Regia (when established, appointed Board, relation to city)
 - B. Economic (top 10 employers, unemployment rates, tax rates)
 - C. Demographic (land area and use, population, median age, # housing units, climate)
 - D. Service Statistics (by department)
 - E. Services by Other Governments (education, city services, national, judete)
- VII. Operating Budget Detail by Enterprise or Department
 - A. Leadership
 - B. Administrative Support
 - C. Water and Wastewater Service
 - D. Solid Waste Services
 - E. Thermal Services
 - F. Public Transportation Services
 - G. Equipment and Vehicle Services
 - K. Non Conforming Businesses
- VIII. Investment Budget Detail
- IX. Appendix
 - Glossary

ATTACHMENT D

Detailed Work Plan Focșani Regia Supplemental Budget Booklet October 3, 1995

OBJECTIVE: Design and implement changes to the structure and presentation of the 1996 Regia budget to improve its usefulness as a decision-making tool, an operations guide, a financial plan, and a communication device.

STRATEGY: Produce a supplemental budget booklet, in addition to the budget legally required by the national government, to improve the usefulness of the local budget. This process will be initiated in 1995 with as many of the improvements as can be incorporated with the information and technology currently available in the Focșani Regia.

STEPS (RESPONSIBILITY)

Getting Prepared (June 1995)

1. Estimate revenues and expected expenditures for the 1996 budget and determine strategy for balancing the budget (CFO and Director)
2. Hold public meetings as needed
3. Establish policy guidelines and financial limits for department budget requests (CFO and Director). Two options are suggested:
4. A continuation **base budget** approach would request the departments to prepare their budget for the same level of service as the previous year with the required funding by program or service. All new services or enhancements to existing programs would be separately submitted and justified.
5. A **target budget** approach would request the departments to prepare their budget at the same level of expenditures as the previous year. If they are unable to do so, they must justify the impact of not having the needed funding and request additional funding.
6. Determine the level of operating budget detail that departments will submit in their budget requests; consult with Director on executive and Council preferences that may dictate the type and specificity of information. (Director and CFO)
7. Prepare written budget instructions to guide the preparation of the annual budget. The instructions should include standard forms for the departments to complete, such as detail

operating budget, summary, activity changes, personnel change request and capital equipment request. (CFO)

8. Prepare sample formats for supplemental budget booklet detail and summary pages and consult with Director on any executive and legislative preferences. (CFO)
9. Send budget instructions to departments with due dates and an overall calendar of events (CFO)
10. Develop budget review checklists to guide the evaluation of budget proposals. (CFO)

Department Budget Reviews (October 1995)

11. Analyze the department's operating budget request. (CFO)
12. Analyze the investment budget separate from the operating budget. (CFO)
13. Give departments an opportunity to defend their requests to the Director or CFO. (Department Heads)
14. Decide what will be funded and what will not be funded by department in the operating budget and in the investment budget. Identify impacts of these decisions. (Director and CFO)

Prepare the Operating Budget Detail (October 1995)

15. Using previously decided format, prepare operating detail for each department to include (CFO):
 - A. Departmental mission statement
 - B. Performance objectives and prior year accomplishments (multiple years if possible)
 - C. Financial data by: prior year's actual, current year budget, and proposed budget and object code: salary and benefits, supplies, services, and equipment.
 - D. Personnel Level—same years as financial data.
16. Determine order of presentation (alphabetically, account number order, etc.) (Director)
17. Prepare tables and narratives. (CFO)
18. Edit and review all data and narratives for accuracy and clarity. (CFO)

Prepare the Investment Budget Detail (October 1995)

19. Determine whether the investment budget should be included as a separate section from operating budget. (Director and CFO)

20. Determine level of detail for each project. (Director and CFO)
21. Prepare investment budget detail. (CFO)
 - A. Project objective
 - B. Performance to date
 - C. Financial data: project to date, proposed budget
 - D. Source of funding
 - E. First year operating cost
 - F. Estimated completion date
22. Determine order of presentation (alphabetically by improvement type, i.e., streets, buildings, etc.) (Director and CFO)
23. Prepare tables and narratives. (CFO)
24. Edit and review all data and narratives for accuracy and clarity. (CFO)

Prepare Financial Summaries (October 1995)

25. Determine number and type of summaries. (CFO)
26. Identify information to be summarized from the operating detail:
 - A. Revenues by Source
 - B. Expenditures by Department and/or Function
 - C. Expenditures by Object of Expenditure
27. Identify information not included in operating detail.
28. Determine the order of presentation for financial summaries with consolidated summary appearing first. (CFO)
29. Prepare summary tables. (CFO)
 - A. Develop consistent formats for similar tables
 - B. Extract data from detail—four years of data (two prior years, current budget, and proposed budget)
 - C. Tie summary data back to detail
30. Prepare accompanying narratives and graphs. (CFO)
31. Check spreadsheet formulas for accuracy and cross check summary data with source data for accuracy. (CFO)

Organization and Community Profiles (September and October 1995)

32. Prepare organization chart of the municipal organization showing department and activity hierarchy and relationship to each other. (CFO)
33. Prepare staffing summaries (number of employees by department for last four years). (Personnel)
34. Prepare community profiles and statistics. (CFO)
35. Prepare a description of the financial structure and overview of the budget process. (CFO)
36. Identify any major reorganizations or reassignments of functions that have occurred since the last budget. (Director and CFO)

Budget Transmittal Letter (November 1995)

37. Consult with the Director on policy items desired in the letter. (CFO)
38. Review the budgetary decisions and policies used to shape the budget. (Director and CFO)
39. Examine past budgets and other policy documents to put the budget in proper context and explain its connection with past trends, current events, emerging issues, and future directions. (CFO)
40. Summarize key points and major issues. (CFO)
41. Prepare the Budget transmittal message. (CFO and Public Relations)
 - A. Organize along major themes
 - B. Offer supporting data
 - C. Illustrate with graphs and charts
 - D. Excerpt other policy documents where appropriate

Final Document (November 1995)

42. Prepare the table of contents and index. (CFO)
43. Prepare the glossary of budget terms. (CFO)
44. Prepare graphs and other visual aids to stimulate interest, focus the readers' attention, and help the reader better understand budget information. (CFO and Public Relations)

- 45. Prepare divider pages or tabs. (CFO)
- 46. Prepare a cover design. (CFO and Public Relations)

Assemble the Final Document (November 1995)

- 47. Determine the type and number of documents to be published. (Director and CFO)
- 48. Select the method of production. (CFO)
- 49. Develop production schedule. (CFO)
- 50. Prepare a style sheet to ensure that a consistent format is used throughout the document.
(CFO)
- 51. Prepare the camera ready copy. (CFO)
- 52. Print and bind. (External Printer)
- 53. Prepare news release and distribute documents. (Public Relations and CFO)